

# Internal Control Awareness



Presented by:  
**IMCOM Manager's Internal Control Program  
Administrator**  
**HQ IMCOM G8 Division**

***Our mission is to provide standardized, effective & efficient services, facilities and infrastructure to Soldiers, Families and Civilians for an Army and Nation engaged in persistent conflict.***

*We are the Army's Home*



# ***Internal Control Awareness***

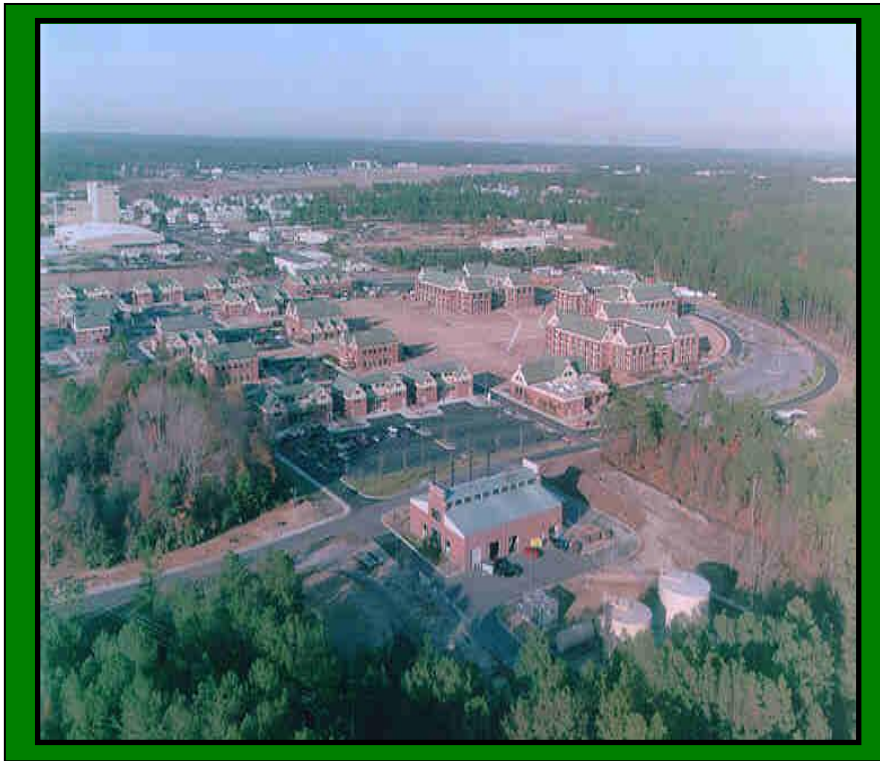
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## **Purpose**

- To inform IMCOM staff about their roles/responsibilities in the Army Manager's Internal Control Program (ICP) process
- To provide a synopsis of Annual Statement of Assurance Requirements

## What is the ICP process?



*Does IMCOM have enough controls in place to make sure this installation operates effectively, efficiently and safely? How can you be reasonably sure?*

It is a set of Army-mandated procedures to ensure IMCOM has reasonable control over its important functional areas.

## What is an internal control?

- A *control* is any technique, tool, device, check or balance in our every day work.
- Designed to ensure what should happen does happen; what shouldn't happen, doesn't happen.

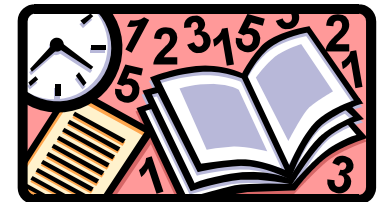
***We have controls throughout our daily lives. We just don't think about them. Sometimes we institute them from hard lessons learned.***



### Home Examples:

- Leaving a key at a neighbor's house in case you lock yourself out of the house.
- Leaving a certain amount of money in your checking account to prevent a bounced check.
- Holding a child's hand while crossing the street.

### Work Examples:



- Routine inspections to prevent waste and ensure regulations are followed.
- TDY approval step or signature on vouchers to prevent travel fraud/abuse.
- Staff review or coordination on correspondence to ensure accuracy.

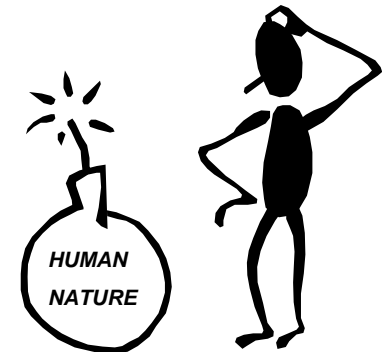
## Why have internal controls?

We have controls because:

- Legislation, Circulars, Directives, Regulations, and our responsibility as government stewards of public resources require such.
- They're part of effective management. They ensure:
  - *Accurate and reliable information*
  - *Compliance with laws & policies*
  - *Safeguarding of resources*
  - *Economical & efficient use of resources*
  - *Safety of operations*

In other words, they:

- Preserve resources from waste, fraud and abuse.
- Help prevent disasters.
  - *Mission failure*
  - *Accident, injury, death*
  - *Media scandal -- The "60-Minutes" test*



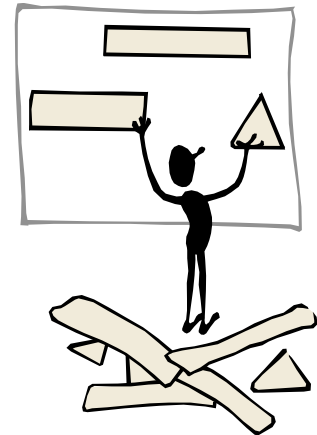


# Internal Control Awareness



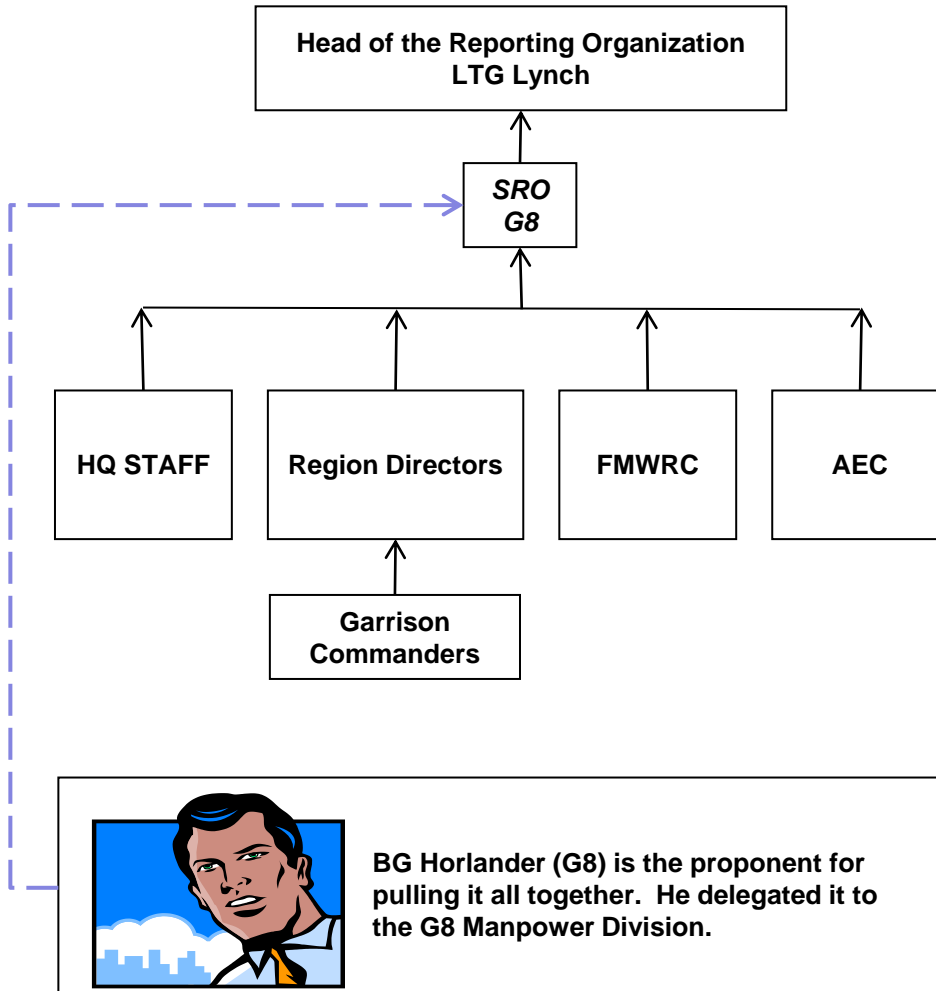
## How does IMCOM handle internal controls?

- We're part of the Army Manager's internal control process IAW AR 11-2.
- We divide our organization into "Assessable Units," which normally are divisions and branches with a GS-15 or Colonel lead.
- IMCOM has a 5-year schedule of evaluations that covers all functional areas.
- HQ IMCOM receives feeder statements from the HQ Staff elements, subordinate commands (FMWRC, AEC) and the regions; the regions receive feeder statements from the garrisons.
- CG IMCOM submits Annual Statement of Assurance to ASA FM&C.





## How does IMCOM handle internal controls (cont'd)?



### Senior Responsible Official (SRO):

The Director of the Directorate that the Internal Control function falls under.

### Assessable Unit Managers (AUMs):

Region Directors and Garrison Commanders serve as AUMs for their organizational elements

### Internal Control Administrators (ICAs):

*IMCOM HQ, ICA is appointed by the SRO*

*AU, ICAs are appointed by the AUMs*

*ICAs are responsible for the administration of the ICP effort within their organization*



# Internal Control Awareness



## What are my responsibilities?

### AUMs:

- Designate an IC administrator to administer the MIC Program.
- Ensures managers and ICA are trained and understand their IC responsibilities.
- Ensures sufficient controls are in place in his/her area of responsibility.
- Ensures formal evaluations take place on schedule in accordance with the internal control evaluation plan (ICEP) .
- Signs and submits a Feeder Annual Statement of Assurance to next higher command level.
- Identifies and submits any “material” weaknesses within his/her unit.
- Includes AUM/MICP responsibilities in his/her Performance Agreement.
- “Tests” the controls in the functional area using any reasonable means.
  - Uses existing processes when possible (audits, performance management reviews, data calls, staff studies, Installation Status Report results, routine inspection programs, etc.).
  - Uses the checklist in applicable Army regulations if available; if not available, develop own checklist.





## What are my responsibilities (cont'd)?

- Summarizes and certifies the results on a DA Form 11-2-R.
- Attaches applicable documentation to the 11-2-R form.
- Retains copy of required documentation of each evaluation for future audits and to help with the next scheduled evaluation. [\(Pass it on to your replacement!\)](#)

### ICAs:



- Coordinates all ICP requirements for area of responsibility.
- Ensures everyone is trained.
- Prepares or has input to a 5-year schedule of evaluations.
- Develops and coordinates the Feeder Annual Statement of Assurance.
- Tracks and reports on materiel weaknesses until resolved.
- Includes ICA responsibilities in his/her Performance Agreement.

## What are my responsibilities (cont'd)?

Everybody in the organization:

- Understands and applies the Government Accountability Office (GAO) Standards for Internal Control in daily work.
- Participates in available internal control training.
- Provides input to the 5-year internal control plan, as applicable.
- Identifies, reports and fixes material weaknesses.



**Yes, this includes you!**

***How do you know if  
your new policy &  
procedure is a good  
one?***



# Internal Control Awareness



## What makes a quality control?

- Incorporating the five general Government Accountability Office Standards for Internal Control:
  - 1) Control Environment– Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.
  - 2) Risk Assessment– Internal control should provide for an assessment of the risks the agency faces from both external and internal sources.
  - 3) Control Activities– Internal control activities help ensure that management’s directives are exercised. The control activities should be effective and efficient in accomplishing the agency’s control objectives.
  - 4) Information and Communications– Information should be recorded and communicated to management and others within the entity who need it; and in a form and within a time frame that enables them to carry out their internal control and other responsibilities..
  - 5) Monitoring– Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.

The full 25-page text available at: <http://www.gao.gov/special.pubs/ai00021p.pdf>

*(Bookmark this site and refer to it each time you develop or review policy or procedures!)*



# Internal Control Awareness



## What makes a quality control (cont'd)?

- Strive for “reasonable” assurance, not absolute assurance.
- Ultimately, it’s a management judgment.
- We adjust over time from lessons learned and in response to a changing environment.

### The “Goldilocks Principle”

#### OVERKILL

- Armed escort for all employees during movement through IMCOM installations.
- Individual government travel card (GTC) statements reviewed monthly by Commanders.
- Quarterly inspections of all IMCOM garrison activities.

#### \*\*REASONABLE

- Full time guard at entrances; screening and visitor badges for visitors.
- GTC Administrator randomly reviews GTC usage monthly.
- Annual inspection of a percentage of important activities with significant risk.

#### UNDER KILL

- No guards or visitor screening.
- GTC Administrator randomly reviews GTC usage annually.
- No inspections of important garrison activities with significant risk.



# Internal Control Awareness



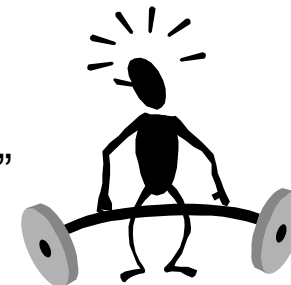
## What is an evaluation?

- A formal test of controls within a functional area or process; scheduled on the IMCOM 5-year plan.
- An internal control evaluation must:
  - Examine the key controls (sample data, review files/inspection results/audit reports, observe/simulate the process, interview managers, etc.)
  - Document the results (summarize on DA Form 11-2-R how examinations were conducted, any deficiencies found, actions taken, etc.)
- Managers decide how to evaluate:
  - With an internal control checklist from the AR
  - Using some existing review process
  - Create your own method based on the AR and/or knowledge.



## What is a “material weakness”?

An internal control material weakness is the  
“absence or ineffectiveness of internal controls...”



**Example 1:** Even though supervisors sign all travel vouchers at Happy Army Command, an evaluation found widespread travel abuse.

*Analysis:* The control was there, but it was ineffective. The command launched mandatory training for supervisors, spot-checks by auditors and scheduled quarterly evaluations until corrected.

**Example 2:** An audit found an unacceptable number of workplace accidents and injuries among employees at Happy. An evaluation found there were no safety inspections, even though required by regulation.

*Analysis:* The control was absent. For example: safety inspections.

**Lack of resources to fully perform a function is not an internal control material weakness. It should be resolved separately as a function of command priorities or as an unfunded requirement.**



## What is a “material weakness” (cont’d)?

When does a weakness become “material”?



### CRITERIA:

- It must involve a weakness in internal controls. For example; controls not in place, not being used or inadequate.
- It must warrant the attention of the next level of command. The higher level must resolve the problem, be aware of it, and assist in resolution as required.

### OTHER FACTORS:

MUST BE SIGNIFICANT AND SYSTEMIC WITH ONE OR MORE RISK FACTORS –

- Actual or potential loss of resources
- Sensitivity of resources involved
- Magnitude of funds/ property/ resources
- Adverse media interest
- Unreliable info that could cause bad decisions
- Diminished credibility of Army, ACSIM or IMCOM
- Impaired mission, injury, death



# Internal Control Awareness



## The Way Ahead

- Recent changes to OMB Circular A-123
  - Changes term "management controls" to "internal controls"
  - Stresses managers' responsibility and role for effective internal controls
- New AR 11-2 Manager's Internal Control Program dated 4 Jan 2010
  - Pending necessary RAR to capture recent changes to MICP Procedures DODI 5010.40 dated 17 Feb 2010
- Recent changes to DODI 5010.40 MICP Procedures
  - Requires additional reporting: Internal Controls Over Financial Systems
  - Requires MICP Administrator be appointed by AUMs for every assessable unit.
  - Requires Sr. Assessment Teams to add requirement to charters for overseeing performance and risk management of all ARRA expenditures.
- Includes FMWRC and AEC as part of overall IMCOM ASoA



# Internal Control Awareness



## Review

- What is the Internal Control Process? Routine set of steps we take each year to make sure we have adequate controls; leads to CG IMCOM Annual Statement of Assurance.
- What is a control? Any check, balance, procedure or review step that makes sure what should happen does happen, and what shouldn't happen, does not happen.
- Why have controls? Protection and proper use of public resources, and legislation.
- How does IMCOM handle it? Organization divided into assessable units. Unit manager reports an annual assurance statement to the next level. Five-year plan for formal evaluations. Report and correct material weaknesses.
- What are my responsibilities? Serve either as an AUM, ICA, an evaluator, and/or someone who applies control principles in daily work.
- What makes a “quality” control? When it follows the GAO standards and is “reasonable,” not overkill or under kill.
- What is an evaluation? A formal review of controls over an IMCOM function or responsibility, scheduled on the 5-year plan, summarized on a DA Form 11-2-R and certified by the Assessable Unit Manager.
- What is a “material” weakness? The absence or ineffectiveness of controls that could, or has led, to a significant/systemic problem involving loss of resources, negative media attention, mission failure, injury, death, etc.

# ***Internal Control Awareness***

## **END OF TRAINING BRIEF**



## **INSTALLATION MANAGEMENT COMMAND**



**IMCOM**  
SOLDIERS • FAMILIES • CIVILIANS

***“Sustain, Support and Defend”***